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July 1, 2004

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **REVIEW OF THE SALVATION ARMY, BOOTH MEMORIAL CENTER –
A GROUP HOME FOSTER CARE CONTRACTOR**

Attached is our report on Booth Memorial Center (BMC or Agency) fiscal operations for the period October 1, 2002 through September 30, 2003. BMC is one of two group homes operated by the Salvation Army. The Agency contracts with the Department of Children & Family Services (DCFS) and the Probation Department (Probation) and is licensed to operate its group home with a resident capacity of 56 children. During our review period, the Agency received a total of \$3,514,473 in foster care funds from DCFS. BMC is located in the First District.

Scope

The purpose of this review was to determine if BMC has complied with the DCFS and Probation contracts and appropriately accounted for and spent foster care funds on allowable and reasonable expenditures in providing services to children placed in the Agency's care. We also evaluated the adequacy of the Agency's accounting records, internal controls, and compliance with federal, State, and County fiscal guidelines governing the disbursement of group home foster care funds.

"To Enrich Lives Through Effective and Caring Service"

Summary of Findings

We identified \$12,225 in unspent clothing funds and \$1,113 in underpaid child allowances. Both of these issues involve non-compliance with contract requirements. The Agency should also strengthen internal controls over payroll records. Details of our findings are discussed in the attached report.

We have recommended that DCFS resolve the unspent clothing funds and underpaid child allowances and, if appropriate, collect all disallowed amounts. In addition, DCFS must ensure that BMC's management strengthens its internal controls over payroll records. DCFS should also monitor to ensure that the corrective actions taken results in permanent changes.

Review of Report

We discussed our report with BMC's management on June 29, 2004. They have agreed to provide DCFS with a written response and corrective action plan within 30 days of the report date. In addition, DCFS indicates that it will provide your Board with a written response within 60 days detailing the resolution of all findings contained in the report. We thank BMC's management and staff for their cooperation during our review.

If you have any questions, please contact me, or your staff may contact DeWitt Roberts at (626) 293-1101.

JTM:DR:RL

Attachment

c: Chief Administrative Office

David E. Janssen, Chief Administrative Officer

Claudine Crank, Principal Analyst, Budget & Operations Management Branch

Department of Children and Family Services

David Sanders, Ph.D., Director

Angela Carter, Deputy Director, Bureau of Administration

Joan Smith, Deputy Director, Bureau of Finance

Edward Sosa, Interim Division Chief, Quality Assurance Division

The Salvation Army-Booth Memorial Center

Dr. Maria Garay, Interim Executive Director

Barbara Mills, Fiscal & Audit Manager

Board of Directors

California Department of Social Services

Cora Dixon, Chief, Foster Care Audit Bureau

Sheilah Dupuy, Chief, Foster Care Rates Bureau

Violet Varona-Lukens, Executive Officer

Public Information Office

Audit Committee

Commission for Children and Families

THE SALVATION ARMY
BOOTH MEMORIAL CENTER
REVIEW OF GROUP HOME FOSTER CARE CONTRACT

BACKGROUND

The Department of Children and Family Services (DCFS) and the Probation Department (Probation) contracts with Booth Memorial Center (BMC or Agency) to provide the basic needs and services for foster care children placed in the Agency's care. BMC is one of two group homes operated by the Salvation Army and is licensed to operate its group home with a resident capacity of 56 children. BMC is located in the First District.

Under the provisions of the contract, the County pays BMC a monthly rate for each child, based on the Group Home Annual Rate determined by the California Department of Social Services (CDSS). During our review period, October 1, 2002 through September 30, 2003, BMC received a monthly rate of \$5,613 per child and \$848 per infant placed in the group home. During this period, the Agency received a total of \$3,514,473 in foster care funds from DCFS.

APPLICABLE REGULATIONS AND GUIDELINES

BMC is required to operate its group home in accordance with certain federal, State, and County regulations and guidelines. We referred to the following applicable regulations and guidelines during our review:

- Group Home Contract, including Exhibit I, Auditor-Controller Contract Accounting and Administrative Handbook (A-C Handbook)
- Federal Office of Management and Budget Circular A-122 (Circular), Cost Principles for Non-Profit Organizations
- California Department of Social Services Manual of Policies and Procedures (CDSS-MPP)
- California Code of Regulations, Title 22 (Title 22)

REVIEW OF EXPENDITURES

Unspent Clothing Funds

Section 22.5 of the Contract's Statement of Work, requires the Agency to provide a regular monthly clothing allocation of at least \$50 per child to be spent on clothing. Each child may decide to carry over a month's clothing allowance for use in the following month, which provides a banked maximum of \$100 per child. Based on our review, the Agency's clothing expenditure should have totaled \$64,397. We reviewed the Agency's general ledger and receipts, and identified \$52,172 in children's clothing expenditures. Therefore, we question the difference of \$12,225 as unspent clothing funds. Of this amount, the Agency has acknowledged and reported on their financial records that \$6,672 represents unearned income that will be repaid to DCFS. The remaining amounts were clothing funds received subsequent to our fiscal review period. DCFS needs to determine if these amounts were spent on clothing. If the funds were not spent on clothing and the children no longer reside with the Agency then DCFS needs to collect the unspent funds. The Agency should report any unspent clothing funds to DCFS once children no longer reside with the Agency.

Underpaid Child Allowances

According to the Contract's Statement of Work, Section 19, the contractor shall provide a base allowance appropriate to age and reasonably commensurate with peer group standards and services prescribed in the contractor's program statement. The base allowance shall not be less than the following amounts: \$1.00 (5-7 years); \$1.50 (8-10 years); \$2.50 (11-14 years); \$3.50 (15 years and over) per week, starting with the first full week of placement. Allowances may be increased beyond this base amount according to a point/levels/rewards behavioral control system. Section 19 further indicates that the contractor shall not use a placed child's base allowance as a disciplinary measure.

The Agency is not in compliance with Section 19, of its contract. For our review period, October 1, 2002 through September 30, 2003, the Agency underpaid the children \$1,113 on weekly allowances. The children were between the ages of 14 and 19 years old and were paid a base allowance below the Contract amount due to disciplinary reasons. We recommend that the Agency pay the minimum weekly base allowance to children as required by the Contract's Statement of Work. If any underpaid child is no longer residing with the Agency, then the Agency should return the funds to DCFS.

Recommendation

- 1. DCFS management resolve the \$13,338 in unspent clothing funds and underpaid child allowances and, if appropriate, collect any disallowed amounts.**

In order to appropriately account for group home funds, and administer the program in compliance with the terms of their agreement with the County, BMC should implement the following recommendations:

Recommendations

BMC management:

2. Report any unspent clothing funds to DCFS.
3. Pay the minimum weekly allowance to children as required by the Contract's Statement of Work. If any underpaid child is no longer residing with the Agency then the Agency needs to repay DCFS for the amount of underpayments since this represents unearned income to the Agency.

CONTRACT COMPLIANCE AND INTERNAL CONTROLS

We noted an internal control weakness during the review. DCFS should ensure that BMC's management takes appropriate corrective actions to address the internal control recommendation in this report. DCFS should also monitor this contractor to ensure the corrective actions result in permanent changes.

Personnel/Payroll Controls

According to the A-C Handbook, section B.3.1, timecards or time reports must be prepared for each pay period. Timecards or time reports must indicate the total hours worked each day by program and total hours charged to each of the contractor's programs. Time estimates do not qualify as support for payroll expenditures and will be disallowed on audit. In addition, all timecards or time reports must be signed in ink by the employee and the employee's supervisor to certify the accuracy of the reported time.

We sampled the personnel files and payroll records of 12 employees and noted discrepancies on seven (58%) of the timecards. The problems consisted of timecards not being signed by the employee/supervisor, or timecards not reflecting the employees actual hours worked.

Recommendation

4. BMC management ensure all employee timecards are signed by the employees and approved in writing by management and that timecards identify the actual hours worked by the employees .